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Session II: Promoting Innovation

Open Source, AI, and Open Innovation Ecosystem

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A Structural Shift: Efficiency → Resilience & Innovation

▶ Global economy is shifting

efficiency-driven globalization



security & resilience-driven industrial competition

▶ Role of AI and digital technologies

productivity tools



drivers that are redefining the architecture of growth itself

▶ The question is no longer *whether to adopt AI*.

The real question is *how to shape the ecosystem in which AI evolves*.

Why Open Innovation Matters? The Case for Openness

Open Innovation enables

- ✓ **Lower barriers** to entry
- ✓ **Faster diffusion** of technology
- ✓ **Collaborative problem-solving** across borders

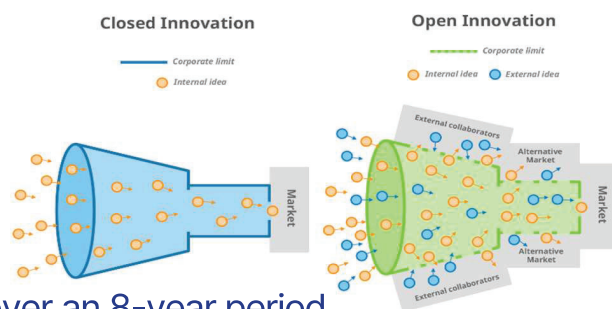
→ Firms that invest in AI see

higher sales growth, employment, and market value over an 8-year period.

→ Open-source platforms enable technology leapfrogging

→ Open source can play a role similar to open trade in diffusing innovation.

: the engine of Asia-Pacific prosperity in the next phase



+19.5% Sales growth for AI-investing firms	26% Share of companies generating real AI value	\$4.4T Long-term AI productivity potential
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Source: Babina et al. (2025); BCG (2024); McKinsey (2025)

The AI Divide is Widening: Economy-Level Evidence

Dimensions of the AI Divide

Dimension	Advanced Econ.	Emerging Mkt.	Low-Income Economies
High AI-exposure jobs(% of workforce)	60%	42%	26%
AI Preparedness Index (AIPi) (US = 0.77, Korea = 0.73)	0.60+	~0.50	~0.35 (2x+ gap vs. AEs)
10-year GDP effect (high TFP scenario)	~+4.4–5.6% (US: +5.6%)	~+3.0–3.2%	~+2.7%
Additional GDP loss — Limited AI Access scenario	Marginal	~-1pp vs. baseline	~-1pp vs. baseline
Gap under Enhanced Preparedness scenario	Maintained	Narrowed	Narrowed (not eliminated)

Source: Author’s calculation based on IMF (2025)

AI Adoption Gap: Firm-level Evidence

- ▶ AI leaders outperform peers by 2x or more (revenue, returns, innovation)
- ▶ “Winner-take-most” dynamics are reinforcing industry concentration by directing the majority of AI-driven gains—higher valuations, revenue, and product innovation—toward the largest, most established firms.
- ▶ The barrier is people, processes, and leadership, not technology

Firm-Level: “Winner-Take-Most” Dynamics

AI Investment Group	Additional Sales Growth	Market Concentration (HHI*)
Top 10% AI-investing firms	+54% above industry median	Significantly increases
Top 25% AI-investing firms	+31% above industry median	Increases
Bottom 50% of firms	Baseline	Minimal change

Source: Author's based on Babina et al. (2025)

Note: * Herfindahl-Hirschman Index

The Risk: Fragmentation of the Innovation Ecosystem

Fragmented global technology landscape

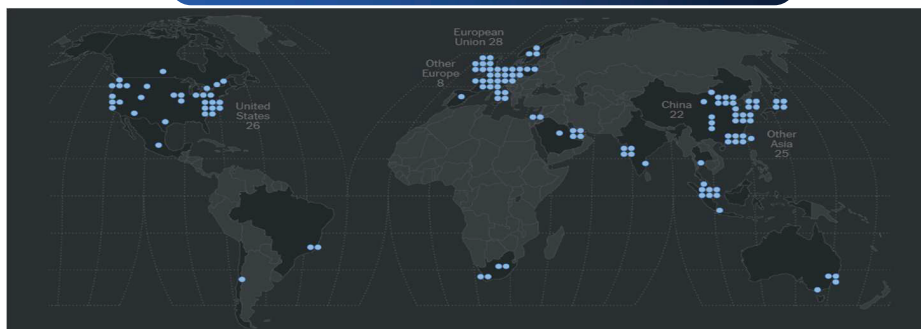
- Competing standards
- Diverging regulatory frameworks
- Strategic decoupling in critical technologies

Problems when fragmentation deepens

- Duplicated innovation efforts
- Reduced scalability
- Widening technological gaps across economies

This is particularly concerning for developing economies, as it may limit their participation in the AI-driven economy.

Global Locations of AI Data Centers



A Strategic Response: Governing Openness

1. **The strategic response** is not less openness, but **governed openness**
2. **Sustainable open innovation** requires **institutional safeguards** (including protection against free-riding, IP-related risks)
3. **The APEC AI Initiative**(endorsed during Korea's 2025 host year) **reflects this governance approach**
: △**inclusive AI transformation**, △ **capacity building**, △**broad participation**
4. The next imperative is to move **from principles to practical cooperation**

Component	Implication for APEC Cooperation
Algorithms & Models	Technology alone is not sufficient
Technology Infrastructure & Data	Shared infrastructure and open standards are key
People, Processes & Governance	Capacity building and governance are the decisive lever

***How we should frame the three APEC priorities that matters
: infrastructure + capacity building + governance (People, Processes)***

Three Priorities for Regional Cooperation

Priority 1	Priority 2	Priority 3
Interoperable Open Digital Infrastructure	Closing the AI Capability & Preparedness Gap	Competitive & Inclusive Innovation Ecosystem
- Open standards - Interoperable platforms - Trusted cross-border data collaboration	- Joint training programs - Public-private partnerships - Knowledge-sharing platforms	- Open source as neutral platform - Avoid over-regulation that stifles innovation - Guardrails against free-riders
		
✓ Prevent fragmentation; ensure scalability	✓ Raise AI capacity in lower-income APEC economies -> toward regional average	✓ Competition where it drives innovation ; cooperation where it enhances collective welfare

PECC's Role

- ▶ **Tripartite platform** bridging AI-leader and AI-aspirant economies
- ▶ **Support APEC AI Initiative** with policy insights and cross-sector dialogue
- ▶ **Build evidence base** on AI Divide → actionable policy
- ▶ **Connect** policymakers, business, and researchers across AI-advanced and aspirant economies

PECC Role	Concrete Contribution
Policy-relevant insights	Evidence-based analysis of AI Divide → policy & capacity-building recommendations
Cross-sector dialogue	Bridge AI-advanced and developing economies within APEC
APEC support	Advocate for inclusive AI governance frameworks
Practical linkages	Connect frontier AI research with developing-economy practitioners

Closing: Openness as a Strategic Choice

- ✓ In the AI era, **Openness** itself has become a strategic asset
- ✓ The future AI will not be determined only by who builds the most powerful models. It will also depend on who builds the most open, trusted, and inclusive ecosystem.
- ✓ In the AI era, openness is no longer simply an economic principle — it is a strategic choice.
- ✓ An open, competitive, and inclusive innovation ecosystem is essential for the Asia-Pacific future — and PECC, in partnership with APEC, is exactly the platform through which that vision can be realized.

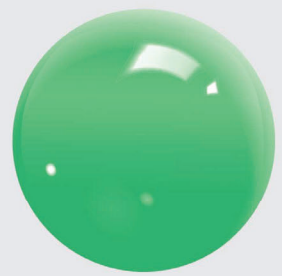


Source: IMF (2025); BCG (2024)

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THANK YOU!



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